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MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Deputy Director for Administration *JFB* 26 MAR 1975

SUBJECT: Request for Additional Funds to Upgrade the Agency's Computer Systems and Supporting Utilities

REFERENCE: DDA Memorandum to DCI, same subject, dtd: 14 Feb 75 (DDA 75-0684)

1. In the attached memorandum the DDA describes the growing problem which OJCS has in trying to meet increasing requirements for computer support with existing equipment and facilities. He points out that although a comprehensive reequipping plan was developed last year, lack of funds has made it impossible to proceed with the plan. He goes on to describe an opportunity which has been presented because of a change in IBM pricing plans and which would make the purchase of our largest computer, the IBM 360/195, both practical and economical. In brief, the new pricing plan permits us to apply more of the past rentals to the present cost of the machine and thus to buy a \$7.5 million computer for about \$3.8 million.

2. Taking this opportunity as a point of departure, the DDA has had OJCS develop a new equipment plan, which is attached to his memorandum. It calls for the phased installation of four large computers of the IBM 370 series beginning with the first 370/168 in FY 1976 and adding three others over the next two years. In combination with the 360/195 these computers are expected to be adequate to support the growing demands being made for computer service.

3. In order to achieve this goal, the proposal requests reserve releases of \$1,769,000 in FY 1975 and \$2,645,000 in FY 1976. Only 25X1

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part of this money is for ADP equipment; over half (\$2.4 million) is for site preparation and power equipment essential if the new ADP plan is to be adequately supported by other logistical services. We are already pressing the limits of the available on-line and emergency power, air conditioning and chilled water supplies available for electronic equipment of all kinds, including that of Communications and OEL as well as OJCS. The additional loads created by the first two 168's would carry these logistics services over the brink in a classic case of a final (large) straw breaking the camel's back. It is impossible to separate the funding requirements for these supporting services from the total cost of upgrading our ADP. The new logistical facilities have lengthy lead times, and commitments will have to be made early in FY 1976 if the computer equipment plan is to be kept on schedule. Implicit in the proposal is the thought that if we wait until FY 1977 funds are available, critically important ADP capabilities would not be available until FY 1978, long after predictable workloads have outstripped capacity.

4.: We have called to the attention of DDA the difficulty which we believe the Agency would encounter were it to present OMB with a request for a reserve release divided between two fiscal years as proposed. Seeking a way to make the reserve release request more attractive, we rearranged the data submitted by the DDA and arrived at a proposal which concentrates on the purchase of the 360/195 in FY 1975 with a reserve release of \$3.8 million. The computer costs over \$2 million a year to lease and it is the prospect of saving this money which would be used to justify a reserve release at this time. As pointed out on page 3 of the attachment, rental costs over the next five years would exceed the combined costs of purchase plus maintenance during the same period by more than \$8 million. We have discussed this alternative funding arrangement with the DDA, who agrees that it is a reasonable substitute for his original proposal.

5. Were we to seek a reserve release for this purchase, the FY 1975 equipment budget for OJCS, exclusive of the budget for the unit recently transferred from the DDO, would be increased from \$8.6 million to \$12.4 million. The comparable budget for FY 1976 is \$8.9 million. In both years the budgets include funds for the rental of the computer which we now propose to buy, and this rent money (less what has already been spent for rent this year and less about \$200,000 for maintenance next year) would be used to provide for the site preparation,

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generator equipment, etc., needed to make it possible to pursue the rest of the OJCS equipment plan. The budget for FY 1977 would be expected to rise somewhat to \$10.4 million and for each of the succeeding two years to something over \$12 million, reflecting the significant increase in capability which the expensive 370/168's will provide. (You will find these figures in Tab 5 of the DDA proposal, but please note that their totals for FY 1975 and FY 1976 will be different if the variation which we have developed is adopted. The Transition Quarter will also cause some adjustments in the totals for each year.)

6. There is a third alternative way to buy the 360/195. It is possible to arrange with IBM for the purchase of the computer on time, making a small down payment this year and paying \$1.1 million in each of the four succeeding years. This would be less economical than cash payment because there are, understandably, financing costs when payment is deferred. If we were to spread the cost over the next four years, we would have to pay over \$600,000 more for the unit than it would cost us today, but we would be able to do so without having to ask OMB for a reserve release. Such a plan would force OJCS to defer its acquisition of the 370/168 computers in order to generate sufficient slack in the OJCS budget for this year and next to cover the cost of necessary site preparation and electrical equipment. We also discussed this alternative with the DDA, who charged OJCS to study it and report their conclusions. They advise that although the long-range plan calls for four 370/168's, the immediate need is for two. They assert that unless these two are brought in as scheduled (in June and July 1976, respectively), OJCS cannot expect to keep up with growing demand. "Credit" purchase of the 360/195, combined with acquisition in the next two years of two 370/168's, would free only \$700,000 in equipment funds in FY 1976 to apply to the requisite engineering projects, so to support the plan Logistics would need \$1.7 million for logistics no later than early FY 1976. Without a reserve release the only source for this money would be reprogramming, and we cannot at this moment predict with any confidence how much the Agency will have to work with in FY 1976.

7. My reaction to the DDA proposal has been colored by my strong opinion that we must attack more vigorously the management problem of apparently endless proliferation in ADP applications. I believe that before the long-range equipment plan for OJCS has been locked in, we should make every effort to reduce the financial requirements by eliminating from the computer workload any tasks which we can identify as marginal

in value. It is possible that a more modest equipment plan which includes retention of the 360/195 purchased on time, coupled with an aggressive program to refine our ADP requirements to ensure that we are getting our money's worth from every ADP application, could serve the Agency over the long term. I plan to develop some detailed recommendations for management discussion during our Program Review in July.

8. The DDA strongly recommends that we attempt to convince OMB of the economies to be gained in spending some \$3.8 million of reserve money now in order to purchase the 360/195. That alternative certainly has merit as relief to the taxpayer, but none, I'm afraid, as a proper use of the Contingency Reserve. My own personal preference is to purchase the computer on a time-payment plan, but I realize that we cannot simply ignore the concern which the DDA and his people have that our computer capacities are in danger of early inundation. In addition, the DDA and OJCS have the practical and immediate problem of planning and budgeting for the next two years.

9. The options appear to be:

a. Seek a reserve release now for \$3.8 million to buy the IBM 360/195 and begin to implement the OJCS computer equipment plan; or


b. Buy the IBM 360/195 on the time-payment plan.

Selection of option b. would lead to a second set of options, which are:

c. Reprogram \$1.7 million in FY 1976 to cover the logistics facilities required to support the ADP plan; or

d. Defer portions of the plan as necessary until late FY 1976, Transition Quarter, or FY 1977 funds are available for upgrading logistical services.

Both the DDA and I believe you should receive a briefing on the problem before you reach your decisions.


JOHN D. IAMS
Comptroller

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